

**TESTIMONY BEFORE GOVERNOR MCCALLUM'S  
LISTENING SESSION**

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**Wednesday, August 28, 2002**

Good afternoon and thank you for the opportunity to testify here today. I am Sidney Sczygelski, Senior Vice President of Finance at Wausau Hospital, a 321 bed acute care hospital located in Wausau.

Rather than discuss at length the many cost drivers impacting the delivery of health care, I would like to focus on one issue the state can immediately and directly impact. According to the Wisconsin Hospital Association, Medicaid reimbursement to Wisconsin hospitals totaled approximately \$383 million in 2001. The estimated cost to provide that care totaled \$586 million, resulting in a deficit of \$203 million or 34.6%. That deficit must be passed on or "cost shifted" to employers and employees of Wisconsin as a hidden tax. According to the Wisconsin Hospital Association, that negative margin was only 19.5% in 1995. The Medicaid cost shifting hidden tax has increased by 77.4% over the last six year period.

At Wausau Hospital we received in our most recent fiscal year \$5.2 million of Medicaid reimbursement, while incurring direct costs \$9.1 million. This negative margin of \$3.9 million or 42.9% was passed on to the private employers and employees within our community. If the Medicaid program paid Wausau Hospital at close to its actual costs, there would be an immediate reduction of \$3.9 million of health benefit costs to our community.

As you know, Medicaid is a State and Federal matching program. For every \$1.00 of Medicaid cost incurred by the State of Wisconsin, the Federal Government transfers to the State an additional \$1.50. If the state was to increase Medicaid reimbursement by as little as \$80 million, this would increase the contribution of Federal dollars to the state by \$120 million, virtually wiping out the \$203 million negative margin for Medicaid services in Wisconsin hospitals. That \$80 million annual investment by the state would reduce costs to private employers and employees by \$200 million annually.

Although I won't go through the data, a similar argument can be made regarding physician and clinic services.

If we are serious about containing the increase in health care costs in the State of Wisconsin, we should begin by pursuing as many Federal dollars as possible. Increasing Medicaid reimbursement to hospitals would increase Federal payments to the State, reducing the Medicaid cost shifting taking place today, and significantly reduce one of the health insurance cost drivers.

Thank you.

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## WHA Medicaid Payment Shortfall Analysis

Source: BHI Fiscal Surveys

	Net Revenue	Expenses	Surplus/Deficit	% Margin
<b>2001 Medicaid</b>	<b>382,945,246</b>	<b>585,767,006</b>	<b>(202,821,760)</b>	<b>-34.6%</b>
FFS IP	159,144,138	240,908,706	(81,764,568)	-33.9%
HMO IP	84,072,805	114,642,302	(30,569,497)	-26.7%
FFS OP	71,362,425	144,616,667	(73,254,242)	-50.7%
HMO OP	68,365,878	85,599,330	(17,233,452)	-20.1%
<b>2000 Medicaid</b>	<b>341,998,208</b>	<b>487,871,061</b>	<b>(145,872,853)</b>	<b>-29.9%</b>
FFS IP	147,268,821	206,136,735	(58,867,914)	-28.6%
HMO IP	74,216,605	92,393,723	(18,177,119)	-19.7%
FFS OP	70,851,653	124,442,340	(53,590,688)	-43.1%
HMO OP	49,661,131	64,898,262	(15,237,132)	-23.5%
<b>1999 Medicaid</b>	<b>336,683,433</b>	<b>445,145,404</b>	<b>(108,461,971)</b>	<b>-24.4%</b>
FFS IP	144,843,077	187,668,958	(42,825,881)	-22.8%
HMO IP	79,213,955	91,770,033	(12,556,078)	-13.7%
FFS OP	65,990,050	108,799,732	(42,809,682)	-39.3%
HMO OP	46,636,351	56,906,681	(10,270,330)	-18.0%
<b>1998 Medicaid</b>	<b>319,719,392</b>	<b>415,727,887</b>	<b>(96,008,495)</b>	<b>-23.1%</b>
FFS IP	149,502,692	186,686,397	(37,183,705)	-19.9%
HMO IP	69,151,540	80,013,199	(10,861,659)	-13.6%
FFS OP	63,611,812	102,464,459	(38,852,647)	-37.9%
HMO OP	37,453,348	46,563,832	(9,110,484)	-19.6%
<b>1997 Medicaid</b>	<b>334,941,008</b>	<b>415,262,953</b>	<b>(80,321,945)</b>	<b>-19.3%</b>
FFS IP	170,408,521	204,834,472	(34,425,951)	-16.8%
HMO IP	61,211,638	67,651,890	(6,440,252)	-9.5%
FFS OP	73,809,638	107,049,027	(33,239,389)	-31.1%
HMO OP	29,511,211	35,727,564	(6,216,353)	-17.4%
<b>1996 Medicaid</b>	<b>343,911,099</b>	<b>437,508,278</b>	<b>(93,597,179)</b>	<b>-21.4%</b>
FFS IP	188,269,246	232,800,663	(44,531,417)	-19.1%
HMO IP	53,387,578	61,151,911	(7,764,333)	-12.7%
FFS OP	75,469,094	113,103,200	(37,634,106)	-33.3%
HMO OP	26,785,181	30,452,504	(3,667,323)	-12.0%
<b>1995 Medicaid</b>	<b>337,281,334</b>	<b>426,697,183</b>	<b>(83,336,863)</b>	<b>-19.5%</b>
FFS IP	188,052,287	229,167,590	(41,115,303)	-17.9%
HMO IP	54,988,140	60,984,416	(5,996,276)	-9.8%
FFS OP	70,526,185	106,751,469	(36,225,284)	-33.9%
HMO OP	23,714,722	29,793,708	(6,078,986)	-20.4%

## Wisconsin Hospitals Medicaid Margins

